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The Director of Central Intelligence
Washington, D.C. 20505

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National Intelligence Council

NIC #04316-85
28 August 1985

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: John Bird
National Intelligence Officer for Warning
FROM: Fritz Ermarth
National Intelligence Officer for USSR
SUBJECT: Monthly Forecast and Warning Report -- NIO/USSR

1. Kampuchea

A. Discussion

Moscow appears to have changed tactics a bit on Kampuchea, but has signalled no change in its goals or basic approach to the issue, and has made no serious concessions. Nor is it likely that the Soviets will go much further at this point.

Le Duan visited Moscow in June and in July Anatoliy Zaytsev, Chief of the Soviet Foreign Ministry Southeast Asia Department, visited Southeast Asia. While the Soviets traditionally have insisted that relations with China would not be improved at the expense of a third country, e.g., Afghanistan or Vietnam, this "third country" clause was dropped in the communique following the Le Duan visit. This visit also saw fewer verbal attacks on the PRC. Zaitsev's July visit to Southeast Asia played on the notion that, although Pol Pot and Ieng Sary could not be included in negotiations for a Kampuchean settlement, the Khmer Rouge conceivably could be represented by others, such as Khieu Samphan. However, Zaytsev cast this proposition in the context of acceptance of the Malaysian proposal for proximity talks, which has already been rejected by ASEAN. Zaytsev's reported views on the Khmer Rouge are consistent with a reported statement by Deputy Foreign Minister Kapitsa and with the reported Gorbachev position on ending PRC support for the Khmer Rouge.

DIA believes Moscow probably has adopted this slight change in tactics to spur the PRC toward negotiations on Kampuchea and ultimately to drop support for Pol Pot. Previously the Soviets were unyielding in backing a Vietnamese

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military solution to the Kampuchean problem and made no serious effort to undercut external support for Pol Pot. The new posture concedes nothing in substance, but may improve the image of Moscow and Hanoi in Kampuchea and aims at cutting aid to Pol Pot and dividing the Khmer Rouge. This Soviet shift in tactics suggests no change in Moscow's major goals of encircling China through a strong Vietnamese relationship, achieving a political solution in Kampuchea on Vietnam's terms that excludes Pol Pot, and gradually improving ties with ASEAN.

From Hanoi's perspective, given its recent military successes, this is a good time to improve the atmospherics for negotiation, while Gorbachev probably wants to appear to be promoting detente with Peking. SOVA believes that Gorbachev probably is seeking to move the Kampuchean problem off dead center. State suggested that how flexible Hanoi will be on the Khmer Rouge joining talks is dubious.

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2. Japan

A. Discussion

Upcoming Soviet-Japanese diplomatic exchanges have raised speculation about changed Soviet tactics toward Tokyo. Deputy Foreign Minister Kapitsa and Minister of Culture/Candidate Member of the Politburo Demichev will visit Japan in early September, and a Japanese parliamentary delegation will visit Moscow at the end of September. Shevardnadze also might possibly visit Tokyo in the near future. These visits are probably aimed at promoting Soviet goals of undermining Japan's security relations with South Korea and China, gaining access to Japanese trade and technology, and Japan's not impeding Soviet fortifying of the northern territories.

So far the Community sees under Gorbachev's lead no new overtures to Japan, while Soviet and Japanese positions on the northern territories issue remain inflexible. While the USSR is highly unlikely to make a concession on the northern territories question -- the major obstacle in Soviet-Japanese relations -- the Japanese probably expect a potential Shevardnadze visit to at least broach the subject. If the Soviets were willing to even discuss the subject, it would mark a departure from Gromyko's unwillingness to talk about the issue. DIA notes further that a major concession on an issue like the northern territories would not produce much in return from Japan.

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Consensus in the discussion stressed the lack of change in substance in Gorbachev's diplomacy toward Japan and that Gorbachev probably could not convince the Soviet military to give up something on the northern territories in hope that Japanese might do something to improve the relationship.

ANIO/USSR believes that neither the Soviet military position on the disputed islands nor Japanese investment policies are the major barriers to Soviet willingness to accommodate the Japanese on the northern territories issue. Rather these barriers are Soviet unwillingness to give up World War II gains and the broader implications of such a concession, and Tokyo's unwillingness to alter its security relationship with the US.

B. Warning Note

The harsh tone of Moscow's diplomacy and crude Soviet behavior toward Japan could be altered significantly to prospective Soviet advantage with little loss to Soviet interests. The next six months will tell a great deal more about whether Gorbachev and Shevardnadze appreciate or wish to change their predecessors' basic approach to Tokyo.

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3. East Europe

A. Discussion

Gorbachev's perspective on East Europe, like his predecessors, is geared to preserving the Eastern bloc, maintaining support for Soviet policies in the Warsaw Pact and CEMA, fostering loyalty to the USSR, and improving the quality of East European products delivered to the Soviet Union. At first many East Europeans were optimistic and hopeful about the incoming new leadership but after six years of mixed and contradictory responses from the USSR they have become increasingly disillusioned with the signals from Moscow. Where the East Europeans anticipated more elbow room under Gorbachev, more consultation with Soviet leaders on domestic and foreign policy matters, and improved trade relations, they have recoiled under a series of tough policy statements from the new Soviet leadership.

The Moscow line is to communicate to East Europe that the new Gorbachev leadership will not permit any new independence in East European foreign

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policies or economic heterodoxy, which might get out of control as in the past. The present Soviet policy is to stress its control in East Europe and correct misperceptions on this matter that have developed during the previous half decade of halting leadership. Gorbachev probably will allow the East Europeans to continue to deal with the West, but will watch carefully for signs of new independent behavior.

Regarding Ceausescu's health and a potential succession struggle, participants emphasize that he will likely survive the next few years and that the Soviets are in a poor position to influence events in Romania given the absence of a pro-Soviet faction or significant Soviet assets there. ANIO/USSR believes the Soviets would strongly seek to influence events in Romania -- through various inducements and cajolery -- if there were any serious signs of a succession struggle or instability.

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NIO/USSR Warning and Forecast Meeting -- 20 August 1985

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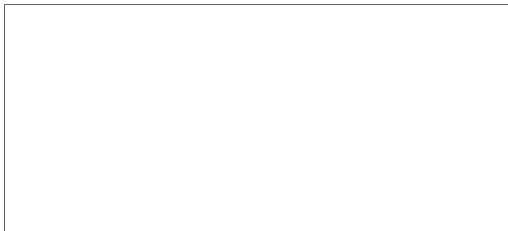
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